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GASB Update 1Q 2025

This paper provides an overview of GASB's standard-setting activity during the first quarter of 2025, along with updates on outstanding exposure drafts and ongoing projects. While GASB's standard-setting activity has slowed almost to a halt after several very busy years, implementing upcoming guidance may require significant planning and effort. This paper includes summaries for all soon-to-be-effective standards, sorted by effective date. It also has links to resources from Forvis Mazars for a deeper dive.

Quarter Highlights

Infrastructure Assets

During February, GASB held three public hearings to solicit additional feedback on its preliminary views on the infrastructure assets project. Feedback was consistent with comment letter feedback. While some analysts hoped for on-balance sheet treatment of deferred infrastructure maintenance costs (similar to treatment for pensions), most state and local governments pushed back on cost and operational challenges. Common themes included:

- Some disclosures are more suited for required supplemental information rather than in the financial statements due to the challenges of auditing the judgments required.
- The proposed threshold of 80% of estimated useful life for disclosure of historical cost of infrastructure by major class seemed too arbitrary. Existing systems may not capture required detail by major class of asset.
- The expansion of the infrastructure definition to include communication networks needs additional clarity.
- Maintenance decisions and policy are up to elected officials and are operational—not financial—in nature and should not be included in financial statements.

2025 Implementation Guide

The 2025 Implementation Guide, scheduled for release in July, addresses 21 unresolved questions primarily on Statement 103, *Financial Reporting Model Improvements*; Statement 101, *Accounting Changes and Error Corrections*; and Statement 87, *Leases*. Twenty-four comment letters were received with general support or minor editorial suggestions. More substantive feedback included:

- Management's discussion and analysis (MD&A) (Q4.2). This would require that MD&A disclosures follow the order in Statement 103. Commenters felt this would impede a preparer's ability to convey complex information in an understandable manner. Others felt this clarification should be Type A guidance and subject to a more robust due process.
- Real estate purchased as part of economic development activity (Q4.3). There is limited guidance on real estate purchased with the intent to sell and many governments currently analogize to other sources, e.g., PPC or Governmental Accounting, Auditing, and Financial Reporting (GAAFR) Blue Book. The answer provided could be a change in practice for some governments that would be required to capitalize and

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depreciate such purchases. Others felt this clarification should be Type A guidance and subject to a more robust due process.

- Classification of subsidies used to acquire capital assets (Q4.7). Commenters highlighted situations where subsidies are used—but not limited to—the purchase of capital assets, *e.g.*, *American Rescue Plan Act* (ARPA). Others thought the term noncapital subsidy should be Category A guidance.

Subsequent Events

GASB received 25 comment letters on the subsequent events exposure draft with general support or minor editorial suggestions. Several respondents found the tax rate example of a nonrecognized event to be confusing and requested clarification on the gap between audit opinion date and financial statement issue date. A final statement is expected by calendar year-end.

Going Concern

On March 19, 2024, GASB approved drafting a preliminary views document on the board's early-stage thoughts on going concern/severe financial distress. GASB issued the [preliminary views](#) for public comment on March 31, 2025.

Financial Data Transparency Act (FDTA)

The initial deadline for a final rule on uniform data standards has passed. The FDTA requires the SEC to adopt data standards for information submitted to the Municipal Securities Rulemaking Board (MSRB) two years after final data standard rules are issued for each of the federal agencies. The FDTA does not mandate a compliance date for MSRB data standards, unlike the regulations for federal financial regulators. Given the new administration in Washington, it is not clear if this project will move forward.

Forvis Mazars will continue to monitor developments on this topic.

Initial FDTA Milestones



Initial FDTA MSRB Milestones



I. Upcoming Effective Dates

Fiscal Years Beginning After

December 15, 2023

No. 101
Compensated
Absences

June 15, 2024

No. 102
Risk Disclosures

June 15, 2025

No. 103
Financial
Reporting Model

No. 104
Capital Asset
Disclosures

Fiscal Years Beginning After December 15, 2023

Statement	Description
Statement 101 Compensated Absences Issued: June 2022 Resource: Preparing for GASB's Compensated Absences – Statement 101	Since Statement 16, <i>Accounting for Compensated Absences</i> , was issued in 1992, benefit practices have evolved, resulting in inconsistent application of guidance and a lack of guidance for new leave types. Statement 101 creates a unified model for recognition and measurement for all types of compensated absences and eliminates certain previously required disclosures.

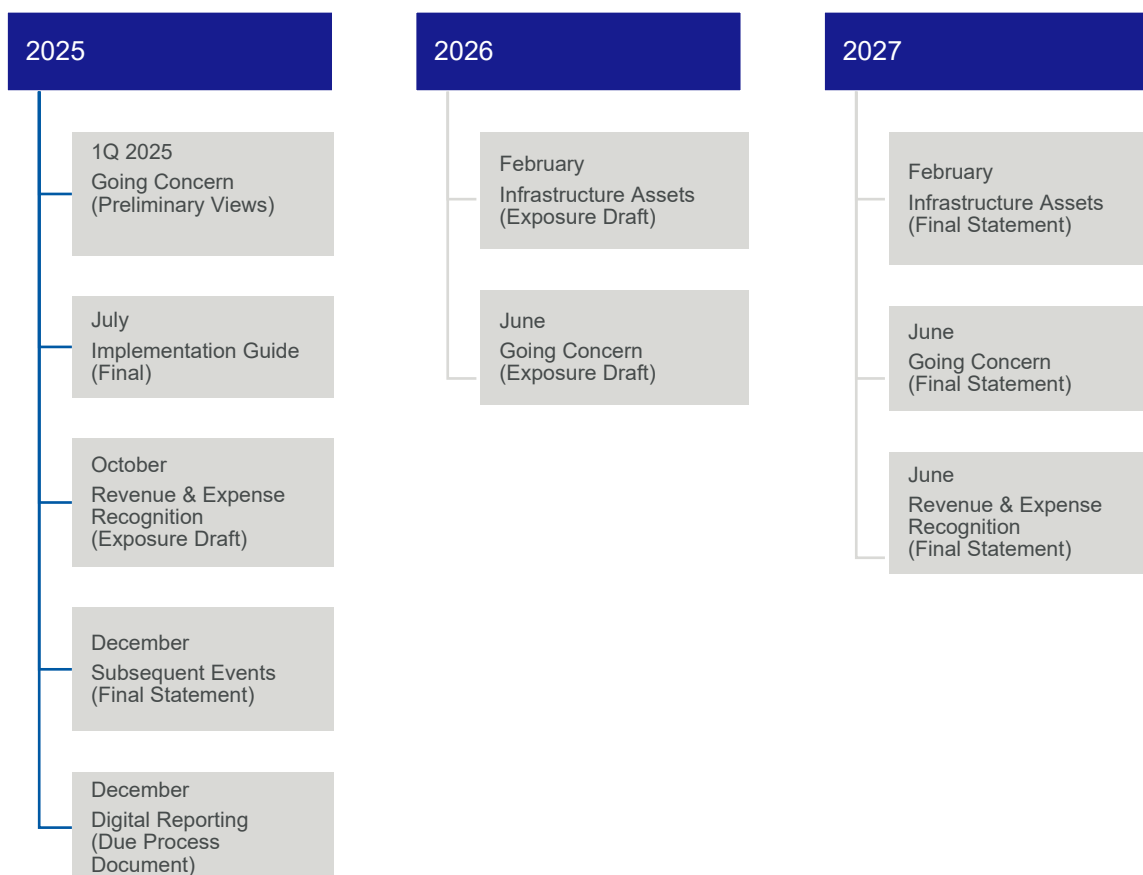
Fiscal Years Beginning After June 15, 2024

Statement	Description
Statement 102 Certain Risk Disclosures Issued: December 2023 Resource: Details on GASB's New Required Risk Disclosures	Statement 102 requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The statement includes four nonauthoritative examples of concentrations and constraints, including a financial resource provider, collective bargaining, mandated spending, and an employer concentration.

Fiscal Years Beginning After June 15, 2025	
Statement	Description
Statement 103 Financial Reporting Model Improvements Issued: May 2024 Resource: GASB Updates the Financial Reporting Model	Statement 103 updates requirements for MD&A, unusual and infrequent items, proprietary fund statement, component unit, and budget presentation.
Statement 104 Disclosure of Certain Capital Assets Issued: September 2024 Resource: GASB Statement 104 – New Capital Asset Disclosures	Statement 104 requires capital assets held for sale, intangible assets, lease assets, and subscription assets to be broken out separately in note disclosures.

II. Technical Agenda

Project Plan Summary Timeline (Subject to Change)



III. Projects

The following table includes proposed standards open for comment or redeliberation. GASB will finalize the effective dates of the proposed standards after it considers proposal feedback.

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Proposals Issued		
Topic	Description	Status
Revenue and Expense Recognition Preliminary Views Issued June 2020	Develops a comprehensive model for the recognition of revenues and expenses arising from nonexchange, exchange, and exchange-like transactions, including exchange transactions not specifically addressed in the current literature. <i>GASB continued deliberations on the satisfaction of a Category A performance obligation and appropriate methods for transferring control of goods or services (over time or at a point in time). Remaining topics include allocation principles and collectability.</i>	Exposure Draft: October 2025 Public Hearings: February 2026 Final Statement: June 2027
Infrastructure Assets Preliminary Views Approved: September 30, 2024 Resource: GASB Invites Feedback on Its Infrastructure Assets Project	The document identified areas for improvement and GASB's planned approach. GASB would update the infrastructure definition, tweak certain aspects of the modified approach, and would add additional financial statement note disclosures.	Exposure Draft: February 2026 Final Statement: February 2027
Subsequent Events Exposure Draft Approved: November 13, 2024 Resource: GASB Proposes Clarifications on Subsequent Events	The proposal would clarify the subsequent events that require recognition and establishes specific note disclosure for nonrecognized events. If approved, changes would be effective for fiscal years beginning after June 15, 2026.	Final Statement: December 2025
Implementation Guide—2025 Exposure Draft Approved: November 13, 2024	The proposal addresses unresolved questions on Statement 103, <i>Financial Reporting Model Improvements</i> ; Statement 101, <i>Accounting Changes and Error Corrections</i> ; and Statement 87, <i>Leases</i> .	Comments Due by January 24, 2025 Final Statement: July 2025

Initial Deliberations		
Topic	Description	Status
Going Concern Uncertainties and Severe Financial Stress Added to Agenda December 2021	<p>The project will consider disclosures and:</p> <ul style="list-style-type: none"> Addressing going concern diversity in practice and clarifying when disclosure is appropriate Defining “severe financial stress” and criteria for identifying when governments should disclose their exposure <p>In October, GASB announced a new task force to provide suggestions and feedback on this project consisting of financial statement users, preparers, and auditors. The task force can identify possible implementation difficulties, assess the potential costs, and opine on the usefulness of new information.</p> <p>On December 11, 2024, GASB approved creating a pre-ballot draft to be voted on in February 2025.</p>	Preliminary Views: 1Q 2025 Public Hearings: September 2025 Exposure Draft: June 2026 Final Statement: June 2027
Voluntary Digital Financial Reporting Added to Agenda January 2025	<p>The project’s goal is to develop a digital taxonomy for governmental financial reporting to make it easier for users to extract information. Phase 1 will cover basic financial statements, notes, and required supplementary information. Phase 2 will cover supplementary information.</p>	Due Process Document: December 2025

Research Projects

GASB is currently performing pre-agenda research on the following topics:

- GAAP Structure.** Research will evaluate the effectiveness of GASB’s current dual-authority approach to communicating GAAP for state and local governments (an original pronouncement and a codification, each with equal authoritative status) and consider improvements to GASB’s current GAAP structure. Stakeholder outreach on single authority alternatives is planned from September 2024 to December 2025. In April 2026, GASB plans to issue a due process document to solicit stakeholder feedback. **Results will be reviewed by the board in April 2027.**
- Revenue and Expense Recognition – Note Disclosures.** The project will review the need to update note disclosures for transactions that will be in the scope of the revenue and recognition project noted above. **Staff will present findings to the board in June 2025.**

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- **Cybersecurity Risk Disclosures.** Staff will research the types of cybersecurity risks, events (such as ransomware and denial-of-service attacks), and the financial impact of such that are present within state and local governments; determine whether existing disclosure guidance is adequate or if additional guidance is warranted; determine whether the framework established in Statement No. 102, *Certain Risk Disclosures*, is applicable to these specific types of risks; and determine if additional guidance is needed or practicable. **Staff plan to present findings to the board in December 2025.**
- **GAAP Utilization.** The research will identify state requirements for local government financial reporting. Results will be compared to 2008 research to evaluate if local government requirements are moving closer to U.S. GAAP. **Results will be presented to the board in April 2025.**

Monitoring Activities

- **AICPA Auditing Standards.** Staff will monitor the effect of potential or proposed changes in U.S. generally accepted auditing standards (GAAS) established by the American Institute of CPAs (AICPA) on the state and local government environment for GASB to evaluate the need to update existing GASB accounting and financial reporting standards.
- **Digital Assets.** Staff will monitor the development of governments' activities in cryptocurrency and other types of digital assets, both as investments and as consideration paid or received in transactions, as well as any new guidance from other standard setters.
- **Environmental Credits.** Staff will consider the need to develop specific accounting and financial reporting standards for environmental credits programs, such as emissions trading, which are administered by state and local governments. Staff will assess the prevalence and common uses of environmental credits through academic- and policy-related literature, review of federal and state governments, and other standard-setter activity.
- **Environmental, Social, and Governance (ESG) Reporting.** Staff will monitor the development of governments' activities regarding ESG reporting and the development of guidance by other standard setters.
Resource: [GASB Highlights Existing Guidance on ESG Reporting](#)
- **Use of Technology in Government.** Staff will perform outreach to state and local government and technology vendors on the use of technology in financial reporting.

Potential Standard-Setting Topics

- Acquisition of Less-Than-100-Percent Equity Interest in Component Units
- Governmental Fund Financial Statements
- Impairments of Assets Other Than Capital Assets
- In-Kind Contributions, Contributed Services, and Non-Monetary Interlocal Agreements
- Popular Reporting
- Postemployment Benefits—Reporting Investments in Master Trusts
- Reporting Unit Presentations

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- Social Security Disclosures
- Unusual or Infrequent Items

Conclusion

The public sector industry continues to experience change and challenges, from accounting standards changes to technological advancement and digital transformation, while facing budgetary constraints and resource shortages. In this environment of change occurring at increasing speed, monitoring current changes, and staying aware of expected changes are extremely important. Leaders from the Nonprofit, Education, and Public Sector team at Forvis Mazars have attended a variety of industry conferences and heard several key hot topics and themes, including those summarized within this document. We are committed to staying at the forefront of industry issues and our team remains informed and poised to address the evolving regulations and changes affecting the public sector.

We encourage you to connect with a local team member for questions regarding any of the topics discussed in this document, or if you would like to learn more about our firm and how we can help your organization.

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